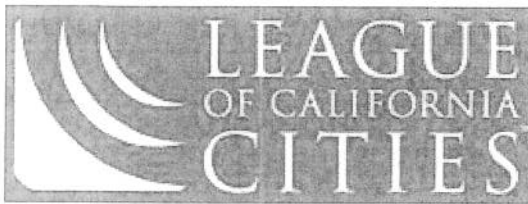


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## Redevelopment Dissolution Resources and Information

With the California Supreme Court's ruling in [California Redevelopment Association v. Ana Matosantos](#), city officials, redevelopment experts and other stakeholders are asking for information to help them understand the decision and dissolution process. This page contains a variety of resources and information related to redevelopment and will be continually updated as new developments occur.

### AB 1484

AB 1484 contains a comprehensive set of amendments to last's years AB x1 26, the redevelopment dissolution bill. While some of the provisions may be viewed as helpful to local agencies, the League was forced to oppose the measure due to numerous provisions aimed at granting excessive powers to the Department of Finance, a lack of sufficient due process, and state authority to divert local sales and property tax to offset amounts under dispute.

- [AB 1484 Briefing 07-16-12](#)
- [AB-1484-Summary-07-02-12](#)
- [AB-1484-Timeline-07-02-12](#)

## Document Repository



Correspondence

Frequently Asked Questions

Guidance

Litigation

## AB x 1 26 Information

-  [AB x1 26 Timeline](#)  
Timeline for the dissolution of redevelopment agencies under AB x 1 26
-  [Auditor Controller Draft Implementation Guidelines](#)
-  [Auditor Controller Audit Guidelines](#)
-  [Essential Elements of AB x 1 26 Successor Agencies](#)  
< p> Prepared by Betsy Strauss, League of California Cities</p>
-  [Essential Elements of AB x 1 26 Housing](#)  
Prepared by Polly Marshall and Lynn Hutchins, Goldfarb & Lipman
-  [Essential Elements of AB x 1 26 Environmental](#)  
Prepared by Robert Doty and Andrew Fogg, Cox Castle Nicholson
-  [Essential Elements of AB x 1 26 Employment](#)  
Prepared by Scott Tiedemann, Liebert Cassidy Whitmore
-  [Essential Elements of AB x 1 26 Bond Financing](#)  
Prepared by Kimberly Byrens, Best Best & Krieger

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# Briefing on AB 1484—True-Ups, Timelines and Safe Harbors

Monday, July 16, 2012  
3 – 4:00 p.m.



## How to Ask a Question

- All phone lines have been muted
- For Questions - Use the Q&A window to the right side of your screen
- Please enter your **Name**, **Title** and **City** when you ask a question

## Upcoming Important Dates

- **August 1:** Successor housing entity submits list to DOF of housing assets that successor agency transferred to it after February 1.
- **August 15 +/-:** Oversight Board meets to approve ROPS for January – June 2013
- **September 1:** ROPS for January – June 2013 submitted to DOF
- **October 1:** Audit of LMIHF due to DOF, auditor-controller and oversight board

## Successor Agency To-Do's

- Prepare ROPS for January – June 2013
- Schedule Oversight Board meeting for early to mid-August
- Hire Licensed Accountant for LMIHF and other funds audit. Approval of auditor-controller required.

## Excess reserve payment demands ("true-ups")

- Timeline
  - **July 9**—County auditor-controller demand letter
  - **July 12**—Payment from successor agency due
  - **July 16**—County auditor-controller distributes money to taxing entities
  - **July 18**—sales tax payments suspended for non-payment
- Issues
  - DOF position
  - Litigation
  - Penalties

## Housing assets

- Timeline
  - **August 1**—successor housing entity must submit housing asset list to DOF
  - Other deadlines
- Issues
  - Definition of housing assets
  - DOF review and approval of housing asset list/meet-and-confer process
  - Housing Bonds

## ROPS—January-June 2013

- Timeline
  - **Around August 15**—Oversight board approval of ROPS
  - **September 1**—ROPS submitted electronically to DOF after oversight board approval
  - **October 1**—Auditor-controller estimate of amounts to be allocated for January-June 2013 ROPS
- Issues
  - Penalty for late submittal
  - Auditor-controller may object to items on ROPS
  - Timeframe for DOF determinations

## Audits and due diligence review

- Timeline
  - **As soon as possible**—successor agency to hire accountant and conduct due diligence review of unobligated balances in LMIHF and other funds and submit for approval to oversight board
  - **October 1**—successor agency to submit LMIH due diligence report to oversight board, auditor controller, State Controller and DOF
  - **October 1**—auditor-controller to complete agree-upon procedures audit
  - **October 15**—oversight board approval of LMIHF review, transmit to DOF
  - **November 9**—DOF to complete review of LMIHF due diligence report; successor agency to transfer LMIHF funds to auditor-controller within 5 days of DOF final determination

## Audits and due diligence review (continued)

- Issues
  - Penalties for failure to transfer funds
  - Definitions

## Finding of Completion (so-called “safe harbor”)

- Pay following amounts
  - LMIHF funds
  - Unobligated funds in other accounts
  - Excess reserve payment

## Finding of Completion (so-called “safe harbor”)

- Results of Finding of Completion with oversight board approval
  - City-redevelopment agency loan agreements are enforceable obligations
  - Bond proceeds from bonds issued before 12/31/10 may be used for purposes for which bonds were sold
  - Real property assets may be retained pursuant to long range property management plan approved by DOF
  - Longer statute of limitations to challenge actions of former RDA do not apply

## Finding of Completion (so-called “safe harbor”)

- Issues
  - Disposal of property prior to receiving Finding of Completion
  - Use of bond proceeds



## Questions

- For Questions - Use the Q&A window to the right side of your screen
- Please enter your **Name**, **Title** and **City** when you ask a question

**Thank you!**



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## Major Provisions of AB 1484<sup>1</sup>

### 1. **Three payments:** Successor agency must make three payments:

- July 12: Taxing entities' share of December 2011 property tax distribution to redevelopment agency/successor agency
- November 9+/-: Low-Moderate Income Housing Fund
- April 10 +/-: Unencumbered cash

In addition to these three payments, if a successor agency did not make complete 2011-12 pass-through payments, amount of payment not made will be deducted from property tax distribution from auditor-controller.<sup>2</sup>

### 2. **New audit by October 1:** Successor agency must retain licensed accountant to audit books:<sup>3</sup>

- Audit of LMIHF
- Audit of cash assets
- Audit of cash transfers to public agencies and private parties<sup>4</sup>

### 3. **New penalties:**

- Failure to make July 12 payment: successor agency subject to civil penalty of 10% of the amount owed plus 1.5% of the amount owed for each month that payment is not made unless DOF finds that payment of penalty will jeopardize payment of enforceable obligations. Until payment is made,

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<sup>1</sup> The League will continue to refine this analysis with the assistance of its RDA Attorney Working Group and other city officials.

<sup>2</sup> Additional information about these payments is found in the Appendix.

<sup>3</sup> Agreed-upon procedures audit completed by auditor-controller can substitute for the licensed accountant audit if it includes all statutory requirements

<sup>4</sup> Successor agency must attempt to recover cash transferred to public agency without an enforceable obligation.

successor agency may only pay bond debt. City subject to same civil penalty. City will not receive July 18 sales tax payment (up to amount owed).<sup>5</sup>

- Failure to transfer LMIHF funds: Offset of city sales tax or property tax of the amount required to be transferred<sup>6</sup>
- Failure to transfer cash assets: Offset of city sales tax or property tax of the amount required to be transferred<sup>7</sup>
- Failure to recover cash transferred to local agency without enforceable obligation: Offset of sales tax or property tax of the local agency to which the cash was transferred.<sup>8</sup>
- Failure to submit ROPS by September 1, 2012 and subsequent deadlines: City to pay civil penalty of \$10,000 per day for each day beyond deadline

#### 4. Safe Harbor: Finding of Completion<sup>9</sup>

The Department of Finance will issue a finding of completion to a successor agency that pays the following amounts:

- ✓ The amount determined in the audit of the LMIHF<sup>10</sup>
- ✓ The amount determined in the audit of all other funds<sup>11</sup>
- ✓ The amount (if any) owing to taxing entities from the December 2011 property tax payment<sup>12</sup>

The following applies to a successor agency that is issued a finding of completion:

- ✓ Loan agreements entered into between the redevelopment agency and the city are deemed to be enforceable obligations if oversight board makes a finding that loan was for legitimate redevelopment purposes. As enforceable obligations, payments are listed on ROPS<sup>13</sup>.

Repayments of loans may not begin prior to 2013-14 fiscal year at maximum amount described in statute. Repayment amounts received by city must first be used to retire outstanding amounts borrowed and owed to LMIHF of the

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<sup>5</sup> Section 34183.5(b)(2)

<sup>6</sup> Section 34179.6(h)

<sup>7</sup> Section 34179.6(h)

<sup>8</sup> Section 34179.6(h); see, also 34179.8

<sup>9</sup> Section 34191.1.

<sup>10</sup> Section 34179.6

<sup>11</sup> Section 34179.6

<sup>12</sup> Section 34183.5

<sup>13</sup> DOF continues to retain final authority to approve items listed on ROPS.

former redevelopment agency for purposes of the SERAF payment. 20% of loan repayment amount must be transferred to LMIH Asset Fund.<sup>14</sup>

- ✓ Bond proceeds derived from bonds issued on or before 12/31/10 shall be used for the purposes for which the bonds were sold. Proceeds which cannot be spent consistent with bond covenants shall be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.<sup>15</sup> Use of bond proceeds listed on ROPS.<sup>16</sup>
- ✓ Real property assets: In lieu of the provisions of AB 26 which require disposal of real property assets at the direction of the oversight board, successor agency prepares a long-range property management plan and submits to oversight board and DOF for approval. Permissible uses of property include retention for governmental use; retention for future development; sale of property; use of the property to fulfill enforceable obligations. If plan directs use or liquidation of property for a project identified in an approved redevelopment plan, the property shall transfer to the city. No transfers until plan approved by oversight board and DOF.<sup>17</sup>
- ✓ Statute of Limitations: The longer statutes of limitations (2 years) to challenge actions of the former redevelopment agencies do not apply.<sup>18</sup>

## 5. New Power of State Controller<sup>19</sup>

AB 1484 directs the Controller to review the activities of successor agencies to determine whether an asset transfer occurred after January 31, 2012, between the successor agency and the city or county that created the redevelopment agency, or any other public agency that was not pursuant to an enforceable obligation on an approved ROPS. The Controller is directed to order the assets returned to the successor agency. "City" is defined very broadly to include any entity which is controlled by the city or for which the city is financially responsible or accountable.<sup>20</sup>

## 6. Increase in authority for Department of Finance

- DOF may eliminate or modify any item on an oversight board-approved ROPS. The auditor-controller must distribute property tax in accordance with changes made to the ROPS by DOF. If successor agency disputes DOF

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<sup>14</sup> 34191.4(b)(2).

<sup>15</sup> 34191.4(c)

<sup>16</sup> DOF continues to retain final authority to approve items listed on ROPS.

<sup>17</sup> Section 34191.5

<sup>18</sup> Section 33500, 33501

<sup>19</sup> Section 34178.8

<sup>20</sup> Section 34167.10. AB 26 directed the State Controller to review asset transfers from redevelopment agencies to the city or county that created the agency that occurred after January 1, 2011. If the city or county was not contractually committed to a third party for the expenditure or encumbrance of those assets, the Controller was directed to order the return the assets to the redevelopment agency or successor agency.

action, disputed item may be carried on ROPS. If dispute resolved in favor of successor agency in the future, the past allocation of property tax to the successor agency is not changed nor is a "liability" created for any affected taxing entity.<sup>21</sup>

- DOF may review and object to oversight board actions approving (1) establishment of new repayment terms for outstanding loans; and (2) setting aside amounts in reserves as required by bond indentures, and similar documents<sup>22</sup>

## **7. New restrictions on authority of Successor agency**

- No new enforceable obligations except (1) as specifically authorized by the statute; (2) in compliance with enforceable obligations that existed prior to June 28, 2011; or (3) to hire staff, acquire professional services and procure insurance.<sup>23</sup>
- May not transfer revenues or powers to any other public or private party except pursuant to enforceable obligation on an approved ROPS. Any such transfer of authority or revenues are "void" and successor agency required to reverse transfers. Controller may audit and order return of transfers of authority or revenues.<sup>24</sup>
- Actions taken by redevelopment agencies pursuant to VARP (Voluntary Alternative Redevelopment Program in AB 27) are "ultra vires" and do not create enforceable obligations.<sup>25</sup>
- If successor agency exercised power to reenter into agreements with city (section 34178) and agreement was approved by oversight board but rejected by DOF, successor agency and oversight board may not act to restore funding for the reentered agreement.<sup>26</sup>
- No reestablishment of loan agreements between successor agency and city except pursuant to safe harbor provisions.<sup>27</sup>

## **8. Miscellaneous**

- City loans to successor agency: City may loan or grant funds for administrative costs, enforceable obligations or project-related expenses. Receipt and use of these funds shall be reflected on the ROPS or in the

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<sup>21</sup> Section 34179(h)

<sup>22</sup> Section 34181(f)

<sup>23</sup> Section 34177.3(a); 34177.3(b)

<sup>24</sup> Section 34177.3(c)

<sup>25</sup> Section 34177.3(d)

<sup>26</sup> Section 34178(a)

<sup>27</sup> Section 34180(a)

administrative budget subject to oversight board approval. An enforceable obligation is created for repayment of loans.<sup>28</sup>

- New Oversight Board Provisions<sup>29</sup>

- ✓ Auditor-controller may determine "largest special district"
- ✓ Section 1090 does not apply to employee representative on oversight board
- ✓ Oversight board members are protected by immunities applicable to public entities and public employees
- ✓ Meetings at which oversight board will consider disposal of successor agency assets or allow set-aside of reserves required by bond indentures requires 10 days' public notice.<sup>30</sup>
- ✓ Written notice and information about all oversight board actions must be provided to DOF by electronic means. DOF has 40 (instead of 10) days to review and approve, reject, or modify oversight board action.
- ✓ Oversight board may direct successor agency to provide additional legal or financial advice.
- ✓ Authorized to contract with the county or other public or private agencies for administrative support
- ✓ On matters within its purview, decisions made by oversight board "supersede those made by the successor agency or the staff of the successor agency."<sup>31</sup>

- New authority for auditor-controller<sup>32</sup>: A county auditor-controller can object to an item on the ROPS or to the funding source listed for an item on the ROPS. Objections are sent to DOF to resolve.

- Polanco Act protection for successor agency: Cleanup plans and liability limits of redevelopment agency transferred to successor agency and to housing entity, upon entity's request.<sup>33</sup>

- Limited authority for successor agency to refinance existing debt.<sup>34</sup>

- Successor agency is separate public entity.<sup>35</sup>

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<sup>28</sup> Section 34175(h)

<sup>29</sup> Section 34180

<sup>30</sup> Section 34181(f)

<sup>31</sup> Section 34179

<sup>32</sup> Section 34182.5

<sup>33</sup> Section 34173(f)

<sup>34</sup> Section 34177.5

<sup>35</sup> Section 34173(g)

## **Appendix – Successor Agency Required Payments/Fund Transfers**

### **✓ Transfer of Unencumbered Balances<sup>36</sup>**

AB 26 requires that a successor agency transfer unencumbered cash balances and low and moderate income housing funds to the county auditor-controller for distribution to the taxing entities. AB 1484 requires a successor agency to retain the services of a licensed accountant to audit (1) the balance in the LMIHF; (2) the balance in other cash funds; (3) cash payments that were made in compliance with an enforceable obligation; and (4) cash transfers that were made without an enforceable obligation. In addition to transferring the balances in the LMIHF and other cash funds, a successor agency must make efforts to recover the cash transferred without an enforceable obligation.

### **✓ Payment of December 2011 Taxing Entity Property Tax<sup>37</sup>**

AB 26 distributes property tax through a “waterfall” of payments which includes passthrough payments, payments to successor agencies for enforceable obligations, payments to successor agencies for administrative costs, and payments to taxing entities. The waterfall for the December 2011 property tax payment did not operate as intended because of the stay imposed by the Court in *Matosantos*. The property tax payment to taxing entities was not made. AB 1484 requires successor agencies to make those payments by July 12.

### **✓ Payment of 2011-12 Passthrough Payments**

Some successor agencies made 2011-12 passthrough payments and some did not. AB 1484 requires the auditor-controller to reduce property tax payments to those successor agencies that did not make pass through payments in 2011-12.

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<sup>36</sup> Section 34179.5; 34179.6

<sup>37</sup> Section 34183.5





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### **AB 1484: Important Dates**

- July 9: County auditor-controller notifies successor agency of amount of funds owing taxing entities based upon December 2011 property tax payment<sup>1</sup>
- July 12: Successor agency must make payment to auditor-controller for deposit into Redevelopment Property Tax Trust Fund and distribution to taxing entities.<sup>2</sup>
- July 16: Auditor-controller distributes money received from successor agencies to taxing entities. Monies received after July 12 date distributed within 5 days of receipt.<sup>3</sup>
- July 18: **City sales tax payment suspended if successor agency doesn't make July 12 payment.**<sup>4</sup>
- August 1: Successor housing entity must submit to DOF a list of housing assets that contains explanation of how assets meet criteria set forth in the law. DOF will prescribe format for list. DOF may object to any of the assets within 30 days. If after meet and confer, DOF continues to object, asset must be returned to the successor agency.<sup>5</sup>
- August 10: Successor housing entity notifies successor agency of any designations of use or commitments of funds that successor housing entity authorizes successor agency to retain.<sup>6</sup>
- August 15 +/-: Oversight board meets to consider ROPS for January 1, 2013 through June 30, 2013 which must be submitted to DOF by September 1.
- September 1: ROPS for January 1, 2013 through June 30, 2013 must be submitted electronically to DOF after oversight board approval.<sup>7</sup> DOF makes determinations within 45 days. Within 5 days of determination, successor agency may request additional review and meet and confer.

<sup>1</sup> Section 34183.5(b)(2)(A). Note: The statute, that may be drafted in error, states that if June 1 property tax payment has not been made to successor agencies, the amount owing to taxing entities will be deducted from that same June 1 payment (34183.5(b)(1)).

<sup>2</sup> Section 34183.5(b)(2)(A).

<sup>3</sup> Section 34183.5(b)(2)(A).

<sup>4</sup> Section 34183.5(b)(2)(A)

<sup>5</sup> Section 34176(a)(2). Definition of "housing asset" found at section 34176(e).

<sup>6</sup> Section 34179.6(c)

<sup>7</sup> Section 34177(m). Future ROPS must be submitted to DOF 90 days prior to property tax distribution. **City subject to civil penalty of \$10,000 per day for successor agency's failure to timely submit ROPS (Section 34177(m)(2)).**



- October 1: Auditor-controller may provide notice to successor agency of any objections to items on January – June 2013 ROPS.<sup>8</sup>
- October 1: Successor agency submits to oversight board, county auditor-controller, State Controller, and DOF results of the review of the LMIHF conducted by the licensed accountant agency must retain.<sup>9</sup> Note: licensed accountant must be approved by the county auditor-controller.
- October 1: County auditor-controller completes agreed-upon procedures audit of each redevelopment agency.<sup>10</sup> Auditor-controller provides estimate of property tax payments to successor agency for upcoming six-month period.<sup>11</sup>
- October 15: Oversight Board must review, approve, and transmit LMIHF audit to DOF, auditor-controller. Note that oversight board must hold a public session to consider audit at least five business days prior to the meeting of oversight board in which LMIHF audit is considered for approval.<sup>12</sup>
- November 9: Last day for DOF to complete review of LMIHF audit and reports findings, determinations, and decision to overturn oversight board decision to allow retention of successor agency assets.<sup>13</sup>

W/in 5 days of  
receipt of DOF

audit findings: Successor agency may request meet and confer to resolve disputes with DOF findings on LMIHF audit.<sup>14</sup> DOF must confirm or modify its determination and decisions within 30 days.

W/in 5 days of  
receipt of DOF  
final audit

determination: Successor agency to transfer LMIHF funds to auditor-controller.<sup>15</sup> **City sales tax/property tax may be offset for unfunded amounts.**

December 1: Successor agency may report to auditor-controller that total amount of available revenues will be insufficient to fund enforceable obligations.<sup>16</sup>

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<sup>8</sup> Section 34182.5.

<sup>9</sup> Section 34179.6(a). The requirement to retain a licensed accountant is found in section 34179.5. The audit provided by the county auditor-controller can be substituted for an audit by a licensed accountant if it contains the information required by Section 34179.5.

<sup>10</sup> Section 34182(a)(1).

<sup>11</sup> Section 34182(c)(3)

<sup>12</sup> Section 34179.6(c) and (b)

<sup>13</sup> Section 34179.6(d)

<sup>14</sup> Section 34179.6(e)

<sup>15</sup> Section 34179.6(f)

<sup>16</sup> Section 34183(b)

December 15: Successor agency submits to oversight board, county auditor-controller, State Controller, and DOF results of the review of all other fund and account balances by licensed accountant.<sup>17</sup>

## 2013

- January 2: Auditor-controller makes distributions of property tax for January – June 2013 ROPS.<sup>18</sup>
- January 15: Oversight board must review, approve, and transmit other funds audit to DOF, auditor-controller.<sup>19</sup>
- March 3: Successor agency submits ROPS for July 1, 2013 through December 31, 2013 to DOF after oversight board approval.<sup>20</sup>
- April 1: County auditor-controller provides estimate of property tax payments to successor agency for upcoming six-month period.<sup>21</sup>
- April 1: DOF completes review of other funds audit and reports findings, determinations, and decision to overturn oversight board decision to allow retention of successor agency assets.<sup>22</sup>
- April 6 +/-: No later than 5 days after receiving DOF determination on other funds audit, successor agency may request meet and confer to resolve disputes with DOF findings. DOF must confirm or modify its determination and decisions within 30 days.
- April 10: +/- Successor agency to transfer other "cash and assets" audit payment to auditor-controller if meet and confer process complete.<sup>23</sup> **City sales tax/property tax may be offset for unfunded amounts.**
- May 1: Successor agency reports to auditor-controller if total amount of available revenues will be insufficient to fund enforceable obligations.<sup>24</sup>

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<sup>17</sup> Section 34179.6(a).

<sup>18</sup> Section 34183(b).

<sup>19</sup> Section 34179.6(a).

<sup>20</sup> Section 34177(m).

<sup>21</sup> Section 34182(c)(3)

<sup>22</sup> Section 34179.6(a)

<sup>23</sup> Section 34179.6(f). The statute does not allow sufficient time between completion of DOF review on April 1 and required payment on April 10.

<sup>24</sup> Section 34183(b).



COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER

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JUDI E. THOMAS  
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS  
JOHN NAIMO  
JAMES L. SCHNEIDERMAN

June 1, 2012

All Successor Agencies within Los Angeles County

**DEPARTMENT OF FINANCE (DOF) REJECTED ABx1 26 RECOGNIZED  
OBLIGATIONS PAYMENT SCHEDULE (ROPS) ITEMS**

This letter is to inform you how Los Angeles County determined the amount of Redevelopment Property Tax Trust Funds (RPTTF) to distribute to Successor Agencies. Specifically, this supports the ROPS payment for July 1, 2012 to December 31, 2012.

We first deposited into each Successor Agency's RPTTF the amount of property tax collections that would have been distributed in the months of February 20<sup>th</sup> through May 20<sup>th</sup>, 2012. In accordance with ABx1 26, we then deducted County Auditor administrative costs and pass-through for all taxing entities.

Next, we reviewed each Successor Agency's ROPS and determined which items DOF approved. For item(s) that the DOF approved, we processed the payment to your Successor Agency accordingly. For item(s) that does/do not meet the criteria of an Enforceable Obligation and were disapproved by the DOF, we have redirected the funds to affected taxing entities, as required by Health and Safety §34188(a).

Please note that in the event your agency did not have sufficient funds remaining in the RPTTF to fund your ROPS, we deducted subordinated pass-through, in accordance with the pass-through agreements.

If you have any questions regarding this issue, please contact Arlene Barrera at [abarrera@auditor.lacounty.gov](mailto:abarrera@auditor.lacounty.gov) or (213) 974-8361 or Kristina Burns at [kburns@auditor.lacounty.gov](mailto:kburns@auditor.lacounty.gov) or (213) 974-8362.

Very truly yours,

Wendy L. Watanabe  
Auditor-Controller

WLW:JN:AB:ilm



COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER

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ROBERT A. DAVIS  
JOHN NAIMO  
JAMES L. SCHNEIDERMAN

July 9, 2012

All Applicable Successor Agencies within Los Angeles County

**NOTICE OF DEMAND FOR PAYMENT PURSUANT TO  
HEALTH AND SAFETY CODE SECTION 34183.5(b)**

State Assembly Bill 1484 (AB 1484) became effective on June 27, 2012. It added Health and Safety Code Section 34183.5(b), which requires the Los Angeles County Auditor-Controller to calculate if amounts are owed by successor agencies to taxing entities pursuant to Health and Safety Code Section 34183(a)(4), for the period of January 1, 2012 through June 30, 2012.

The Attachment to this letter itemizes the applicable AB 1484 calculations made in determining the repayment amount due from your agency. To summarize, we compared the tax revenues distributed for Fiscal Year 2011-12 (indicated through January 31, 2012) to the Recognized Obligation Payment Schedule (ROPS) for the period from January 1, 2012 through June 30, 2012, as approved by the Department of Finance (DOF). Any excess revenues over the DOF-approved ROPS amounts are listed as Total Residual Amount Due. We then made adjustments for unpaid pass-through obligations to arrive at the final amount owed.

AB 1484 requires that we demand your agency to pay the amount indicated on the Attachment to the Los Angeles County Auditor-Controller. Please remit your payment to the following by **Thursday, July 12, 2012, no later than 5:00 p.m.:**

Los Angeles County, Department of Auditor-Controller  
Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 525  
Los Angeles, California 90012-3873

Please note that if the demanded remittance is **not received** by July 12, 2012, the successor agency and the city that created the redevelopment agency may be subject to civil penalties pursuant to Health and Safety Code Section 34183.5(b)(2)(C).

If you have any questions regarding this letter, please contact Arlene Barrera, Chief of Property Tax at [abarrera@auditor.lacounty.gov](mailto:abarrera@auditor.lacounty.gov) or (213) 974-8361, or Kristina Burns, Property Tax Manager at [kburns@auditor.lacounty.gov](mailto:kburns@auditor.lacounty.gov) or (213) 974-8362.

Very truly yours,

Wendy L. Watanabe  
Auditor-Controller

Attachment



COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER

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500 WEST TEMPLE STREET, ROOM 508  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE  
AUDITOR-CONTROLLER

JUDI E. THOMAS  
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS  
JOHN NAIMO  
JAMES L. SCHNEIDERMAN

July 11, 2012

Applicable Successor Agencies within Los Angeles County

**URGENT UPDATE TO THE JULY 9TH DEMAND  
LETTER PERTAINING TO PASS THROUGH AMOUNTS OWED**

This afternoon, the State Department of Finance (DOF) made a major change in their AB 1484 "true up" guidelines, which includes guidance on the collection of delinquent pass through payments to local taxing entities. Our July 9<sup>th</sup> demand letter included an amount owed by your agency for pass through, payable to our office by tomorrow, July 12<sup>th</sup>. The new DOF guidelines have now made **optional** the July 12<sup>th</sup> due date for pass through payments. This provides successor agencies with the **choice** of paying the pass through amount computed in our demand letter by July 12, 2012, or to defer paying this amount until January 2013.

The new instructional language posted on DOF's website today states, in part, "...if the successor agency chooses to provide the amounts necessary to fund pass-through payments...." Therefore, we request that you notify our office by tomorrow if your agency elects to pay the pass through portion of the July 9<sup>th</sup> demand letter or chooses to defer this payment until January 2013.

For agencies that received a demand notice for pass through amounts only and have already sent us payment, we will return your check if you choose not to pay at this time. For agencies that a payment amount was requested for **both** "pass through" and "residual", the new guidelines only apply to pass through and any residual amount owed remains due and payable by tomorrow. If you have remitted both amounts by one check, we will expedite a refund for the pass through amount, if you elect to defer making this payment until January 2013.

We apologize for this notification and its urgency, especially during a week which has been very difficult for all parties.

You may deliver your response to the address above or send via email to [Successor@auditor.lacounty.gov](mailto:Successor@auditor.lacounty.gov). If you have any questions regarding this letter, please contact Arlene Barrera at [abarrera@auditor.lacounty.gov](mailto:abarrera@auditor.lacounty.gov) or (213) 974-8361 or Kristina Burns at [kburns@auditor.lacounty.gov](mailto:kburns@auditor.lacounty.gov) or (213) 974-8362.

Very truly yours,

Wendy L. Watanabe  
Auditor-Controller

c: Each Supervisor  
William T Fujioka, Chief Executive Officer

07-09-12

07/12/2012

NOTICE OF DEMAND FOR PAYMENT

0.00

243,253.15

243,253.15

PLEASE DETACH BEFORE DEPOSITING

ORIGINAL CHECK HAS A COLORED BACKGROUND PRINTED ON CHEMICAL REACTIVE PAPER - SEE BACK FOR DETAILS



CITY OF  
*San Fernando*  
Historic & Visionary

CITY HALL, 117 MACNEIL STREET  
SAN FERNANDO, CALIFORNIA 91340  
(818) 898-1200

PAY

Two Hundred Forty Three Thousand Two Hundred Fifty Three Dollars and Fifteen  
Cents

TO THE  
ORDER  
OF

LOS ANGELES COUNTY  
AUDITOR CONTROLLER  
500 WEST TEMPLE ST. ROOM 525  
LOS ANGELES, CA 90012

Payable through  
Pacific Western Bank  
400 San Fernando Mission Blvd  
San Fernando, CA 91340

90-3977  
1222

VENDOR NUMBER	DATE	WARRANT NUMBER	WARRANT AMOUNT
890493	07/12/2012	98337	243,253.15

VOID 6 MONTHS FROM DATE OF ISSUE

MAYOR

FINANCE DIRECTOR OR DEPUTY

CITY TREASURER OR DEPUTY

0098837 122238200 311005326

COUNTY OF LOS ANGELES  
AUDITOR-CONTROLLER  
PROPERTY TAX DIVISION

SCHEDULE OF DEMAND FOR PAYMENT PURSUANT TO H&S §34183.5(b)

SUCCESSOR AGENCY NAME: SAN FERNANDO

I. Residual Property Tax Revenue:

Gross Tax Increment Revenue Collected (November 2011 through January 2012)	\$3,382,517.43	
AC Admin Fees & Pass Throughs	<u>(843,413.28)</u>	
Total RPTTF Deposits		\$2,539,104.15
Add: PT Adjustment (1)		182,288.00
Less: Total Approved RPTTF ROPS Amount (DOF Exhibit #12 , Updated July 6, 2012 - 5:00 p.m.)		<u>(2,478,139.00)</u>
Total Residual RPTTF Amount Due		\$243,253.15

II. Outstanding Pass-Through (PT) Payments Listed on January 2012 to June 2012 ROPS:

<u>Taxing Agencies</u>	<u>PT Type</u>	<u>Amount Due</u>
City of San Fernando	Statutory	\$183,672.00
Community College District	Statutory	9,732.00
LAC Office of Education	Statutory	1,347.00
Los Angeles Unified School District	Statutory	72,486.00
Vector Control District	Statutory	155.00
Metropolitan Water District	Statutory	<u>1,414.00</u>
Total Pass Through Payment Amount Due		<u>268,806.00</u>
Total Amount Due by July 12, 2012*		<u><u>\$512,059.15</u></u>

\* Please remit \$512,059.15

Check should be made payable to:

Los Angeles County Auditor-Controller and delivered to 500 West Temple Street,  
Room 525, Los Angeles, CA 90012 no later than Thursday, July 12, 2012.

(1) Pass-through adjustment relates to amounts reported on ROPS for pass-through owed to Los Angeles County that was already deducted.





COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE  
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ROBERT A. DAVIS  
JOHN NAIMO  
JAMES L. SCHNEIDERMAN

July 19, 2012

All Successor Agencies within Los Angeles County

**APPROVAL OF ACCOUNTANTS TO CONDUCT "DUE DILIGENCE" REVIEWS AS  
REQUIRED BY AB 1484**

As part of AB 1484, California Health and Safety Code Section 34179.5(a) requires each successor agency to select and employ a licensed accountant to complete a "due diligence" review. The selected accountant must have experience and expertise in local government work, and the review is intended to determine the unobligated balances available for transfer to taxing entities. The Code Section requires the County Auditor-Controller to approve the selected accountants.

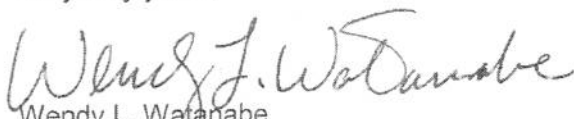
After your agency has selected an accountant to perform the due diligence review, please submit the following information to [RDAAudits@auditor.lacounty.gov](mailto:RDAAudits@auditor.lacounty.gov):

- Accountant/firm name
- Information on the accountant's local government experience and expertise
- The accountant's relationship, if any, to the former redevelopment agency, the successor agency, and/or the sponsoring city/county
- Contact information for a successor agency representative who can answer follow-up questions

We will verify that the selected accountant is in good standing with the California State Board of Accountancy, and has the required local government experience. We may also inquire about potential conflicts of interest, if any. We anticipate responding to most requests within two business days.

Please contact Ken Van Orden at [kvanorden@auditor.lacounty.gov](mailto:kvanorden@auditor.lacounty.gov) if you have any questions.

Very truly yours,

  
Wendy L. Watanabe  
Auditor-Controller

WLW:JLS:RGC





DEPARTMENT OF  
**FINANCE**  
OFFICE OF THE DIRECTOR

EDMUND G. BROWN JR. • GOVERNOR  
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ [WWW.DOF.CA.GOV](http://WWW.DOF.CA.GOV)

July 11, 2012

## TO REDEVELOPMENT SUCCESSOR AGENCY REPRESENTATIVES

As part of our ongoing effort to work with Successor Agencies on the implementation of Assembly Bill 26, First Extraordinary Session (ABx1 26), the Department of Finance (Finance) would like to advise you of several new responsibilities and deadlines implemented by the recently enacted Assembly Bill 1484 (AB 1484, Chapter 26, Statutes of 2012). Specifically, AB 1484 establishes a catch-up process for revenues distributed in 2011-12. Going forward, AB 1484 expands the review time and creates a meet-and-confer process for future substantial's and processes. The measure also establishes incentives for compliance and penalties for noncompliance effective July 2012. These changes are described below, and Finance's website will continue to be updated to provide the most current information available.

### 2011-12 Catch-Up Process

AB 1484 establishes a catch-up process for the distribution of 2011-12 property taxes associated with the dissolution of redevelopment agencies. The timeline is short to ensure that the allocation of last year's revenues is quickly resolved.

- By July 9, 2012, county auditor-controllers must calculate the amount of residual property tax revenue that Successor Agencies owe to cities, counties, special districts, and K-14 schools (collectively known as Affected Taxing Entities) for the period covered by the January 2012 through June 2012 Recognized Obligation Payment Schedule (ROPS). These calculations are based on the information reported by the Successor Agencies on the January 2012 through June 2012 ROPS.
- By July 12, 2012, Successor Agencies must remit to the county auditor-controller the residual property tax revenue identified in the aforementioned billing.
- By July 16, 2012, county auditor-controllers must distribute to the Affected Taxing Entities the residual property tax revenue remitted by the Successor Agencies.

### 2012-13 and Future Processes

AB 1484 extends the time available for Finance to review Successor Agency submittals. In addition, for each submittal, it creates the option of a meet-and-confer process for Agencies to appeal Finance decisions beginning with the first deliverable for 2012-13. These new procedures will provide significantly more opportunities to discuss the specific details of each Agency's submittals.

- By August 1, 2012, Housing Successor Agencies must provide Finance a list of all housing assets transferred to it by the Successor Agency since February 1, 2012. A template for Housing Successor Agencies to use in reporting this information will soon be posted on the Finance website. AB 1484 provides Finance 30 days to review the list, and to question any transfers.

- By September 1, 2012, Successor Agencies must provide Finance with an Oversight Board-approved ROPS covering the January 2013 through June 2013 period. Finance will have 45 days to review the ROPS, and to object to any items that do not meet the definition of an Enforceable Obligation.
- By October 1, 2012, Successor Agencies must provide Finance an Oversight Board-approved Due Diligence Review that has been prepared by a licensed accountant. This Due Diligence Review will list all encumbered and unencumbered low-and-moderate income housing fund (low-mod fund) assets, and will state whether or not those assets are encumbered by Enforceable Obligations. Finance has until November 9, 2012 to finalize its review of the submittals, and to determine which low-mod fund assets are not encumbered by Enforceable Obligations.
- By January 15, 2013, Successor Agencies must provide Finance a second Oversight Board-approved Due Diligence Review that has been prepared by a licensed accountant. This Due Diligence Review will list all encumbered and unencumbered assets of the Successor Agency that are from sources other than the low-mod fund. The Due Diligence Review also will state whether or not those assets are encumbered by Enforceable Obligations. Finance has until April 1, 2013 to finalize its review of the submittals, and to determine which assets are not encumbered by Enforceable Obligations.

#### **Incentives and Penalties**

Once a Successor Agency has complied with the July payment process and the asset transfer provision, AB 1484 provides certain benefits to the Successor Agencies, and also to the cities and counties that operate those Agencies. These benefits are as follows:

- The city or county may be eligible to receive repayment of sums loaned to their former redevelopment agency (RDA) more than two years after the former RDA was created. Under ABx1 26, loans made by a city or county to its former RDA more than two years after it was created are generally ineligible for repayment.
- The city or county may be eligible to receive title to certain real properties of the former RDA, and use those properties for purposes outlined in the redevelopment plan of the former RDA. Under ABx1 26, those real properties must be liquidated, with the sales proceeds distributed to the Affected Taxing Entities.
- The Successor Agency may be eligible to use for their intended purpose the proceeds from certain bonds that were not contractually obligated before ABx1 26 was enacted. Under current law, those bond proceeds only can be used to defease the bonds.

To help ensure that counties, cities, special districts, schools, and community colleges are receiving the appropriate level of revenues, AB 1484 allows strict civil penalties to be imposed if Successor Agencies fail to remit revenues on time. These civil penalties are as follows:

- The city or county that operates the Successor Agency shall be subject to civil penalties equal to: (a) 10 percent of the residual property tax owed the Affected Taxing Entities and (b) a monthly penalty of 1.5 percent of the amount owed the Affected Taxing Entities while the payments are late.

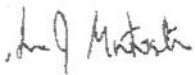
- The Successor Agency itself shall be subject to civil penalties equal to (a) 10 percent of the residual property tax owed the Affected Taxing Entities and (b) a monthly penalty of 1.5 percent of the amount owed the Affected Taxing Entities while the payments are late.

The Successor Agency also would be prohibited from making any future ROPS payments while the owed amount is outstanding, other than those ROPS payments needed for bond debt service.

- The city or county that operates the Successor Agency shall be subject to interruption of their monthly Sales and Use Tax remittance from the Board of Equalization until the owed amounts are paid.

We hope this information is helpful. If you have follow up questions, you can reach Finance at (916) 445-1546.

Sincerely,



ANA MATOSANTOS  
Director

cc: County Auditor-Controllers